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Average Amount Paid For a Hospital Stay in Maryland

The average amount paid for a hospital stay in Maryland rose below the national level of increase in Fiscal Year (FY) 2010. According to a report released today by the Maryland Health Services Cost Review Commission (HSCRC), patients at Maryland's hospitals paid, on average, \$10,983 for a hospital admission in FY 2010, slightly up from the \$10,767 paid in the previous fiscal year. This amounts to a 2 percent level of growth and is below the estimated national average increase of 3 percent for the same period. This means that Maryland patients paid \$113 million less than they would have paid if Maryland hospitals' revenue per admission had grown at the national average.

In addition to outperforming the nation in controlling the rate of growth in payments to hospitals, the mark-up in Maryland's costs (i.e., the difference between hospital costs and what hospitals ultimately charge patients) is also the lowest in the nation. The mark-up in Maryland hospitals averaged 24.5 percent, while the average mark-up for hospitals nationally is 198 percent, according to the most recent data from the American Hospital Association.

In the absence of rate setting, hospitals in the rest of the nation must artificially mark-up their charges excessively in order to cover shortfalls due to uncompensated care, discounts to large HMOs and other third-party payers, and inadequate payments from Medicare and Medicaid. These marked-up charges make payment especially difficult for **As self-pay** patients and other third-party payers not granted discounts and present a serious dilemma in healthcare today.

Further, an analysis of hospital costs (i.e., what hospitals expend to provide their services) shows that the average cost per admission at Maryland hospitals increased by only 2 percent compared with an estimated 3 percent increase for the rest of the nation for FY 2010. In 1976, the cost of an admission in Maryland hospitals was 26 percent above the national average. Had cost per admission in Maryland risen at the national rate during the period 1976 through 2010, hospital expenditures would have been \$3.2 billion more in FY 2010 alone. According to the American Hospital Association, Maryland hospitals experienced the lowest cumulative growth in cost per admission of any state in the nation from 1977 to 2009.

The HSCRC is proud of its track record of achievement to date and mindful of the important role that the All-Payer System can play in formulating effective health care policy in the future. According to the HSCRC Chairman, John Colmers:

“At a time when the nation is searching for health care policies that result in cost containment, improved access, and higher quality of service, Marylanders rightfully can take great pride in our unique All-Payer Rate Setting System. This system has produced a level of stability unmatched in the rest of the country. The results to date have shown themselves in lower hospital expenditure growth, in greater access to needed hospital care, and in unparalleled equity of payment. The future holds even greater promise for Maryland to be the standard bearer for the nation in efficient and effective health care delivery.”

The report also showed that:

1. Uncompensated care (i.e., bad debt and charity care) was \$926 million in FY 2010 (6.9 percent of gross patient revenue) compared to \$999 million in FY 2009.
2. Hospital operating profits continued to increase in FY 2010 and substantial gains on non-operating activities resulted in a significant increase in total hospital profitability:
 - Total profits (otherwise known as “excess profit”), which include profits and losses from operating and non-operating activities (both regulated and unregulated), increased substantially from a loss of \$2 million in FY 2009 (0.01 percent of total revenue) to \$481 million (3.8 percent of total revenue) in FY 2010, largely due to both realized and unrealized investment gains.
 - Operating profits on regulated activities alone in FY 2010 increased to \$715 million (6.2 percent of regulated net operating revenue) from the previous year’s \$669 million (5.9 percent of regulated net operating revenue).
 - Operating profits from both regulated and unregulated activities increased only slightly from \$319 million in FY 2009 (2.6 percent of total net operating revenue) to \$328 million (2.6 percent of total net operating revenue in FY 2009), largely due to increased losses sustained by hospitals for physician-related activity.
3. Total net regulated patient revenue increased by only 1.9 percent to \$11.4 billion in FY 2010 from \$11.2 billion in FY 2009, due, in part, to a 1.4 percent decrease in admissions. Chairman Colmers expressed pride in the All-Payer System and in its ability to spread its benefits to Marylanders. Chairman Colmers noted the accomplishments of the All-Payer System as well as the challenges that lie ahead:

“The Commission recognizes that the challenges going forward will center around total health care spending, and not just on the cost per admission to a hospital. The current level of expenditures, and particularly expenditure growth, is simply unsustainable. Yet, in Maryland, because of the All-Payer System, we continue to see the fruits of our almost forty years of labor. For example, for the first time since rate-setting began, hospital admissions have actually decreased. Thus, the HSCRC remains undaunted by the challenges and confident that with the innovation and industry collaboration that have long been hallmarks in our state, we can extend our focus into more comprehensive packages of care and, thereby, assure Maryland’s place as having the healthiest health care delivery system in the nation.”

Editor Note: The Disclosure of Hospital Financial and Statistical Data report can be found in PDF under Financial Data Reports/Financial Disclosure. The HSCRC website can be found at: [HTTP://www.hscrc.state.md.us](http://www.hscrc.state.md.us).